



FIRST THINGS FIRST

Ready for School. Set for Life.

AGENDA ITEM: Quality First FY15 Model Updates

BACKGROUND: In January 2013, a cross divisional team at FTF began discussing and evaluating potential updates to the Quality First model. These discussions resulted from quantitative data that had been gathered and qualitative feedback received from staff, regional council members, coaching and assessment staff and providers enrolled in Quality First. The potential updates focused on two areas approved by the board in 2011: access and affordability aligned with quality, and incentivizing high quality. Two additional areas were also discussed: alignment of similar quality and financing strategies, and simplifying strategy implementation.

In April 2013, the proposed changes to the Quality First model were vetted with FTF staff, regional council members, and stakeholders. This report describes the resulting model updates that will take effect beginning July 1, 2014 (FY15), and address the following components:

- Alignment of Quality First and Pre-Kindergarten
- First Things First Scholarships
 - Eligibility
 - Rates
 - Slots
- “Buy-in Option” for Quality First
- T.E.A.C.H.

RECOMMENDATION: The CEO recommends the Board accept the report on Quality First FY15 Model Updates.



FIRST THINGS FIRST

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Quality First

FY15 Model Updates

Background

Quality First was launched in 2009, as Arizona's Quality Improvement and Rating System (QIRS). Thirty-one states have implemented QIRS initiatives in an effort to overlay a systems approach to early learning. In recognition that there is no one specific program approach to enhance quality, Quality First leverages multiple approaches—consultation, financial incentives and assessment—to create a continuous loop of quality improvement.

While it is clear that children with risk-factors, particularly children living in poverty, benefit from high quality early childhood experiences, as program quality increases, costs do as well, making it difficult for low income families to access programs. In 2011, the First Things First (FTF) state board approved model updates to Quality First in preparation for bringing the initiative closer to scale. Included in those model updates was a required formula to fund a baseline number of scholarships for low income children. In total, across regions, the FTF investment in access to high quality early education is upwards of \$75 million annually. However, combined with all available federal funding, it is estimated that only 20% of eligible children in Arizona are being served.

Data related to Quality First provider ratings has been analyzed since FY11. Preliminary results indicate that providers participating in Quality First are progressing in their star rating. This improvement in quality ratings reflects the expected model outcomes. Specifically, there are an increasing number of providers moving into the 3-5 star categories each year.

The following table shows the percentage of providers at the 3 to 5 star level from FY11 to May 2013.

Percentage of Quality First Providers at 3 to 5 star levels

FY 2011	FY 2012	FY 2013 (May 2013)
7%	9%	18%

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Alignment between Quality First and Preschool Strategies

HOW DO FAMILIES GAIN ACCESS TO HIGH QUALITY EARLY LEARNING ACROSS A SEAMLESS DELIVERY SYSTEM?

Current Status:

FTF invests more than \$74 million annually to improve the access to and quality of early learning programs in a wide variety of settings. While there are a number of different strategies funded at the regional level, the three primary strategies are Quality First, Quality First Scholarships and Pre-Kindergarten Scholarships. Originally, each of these programs were conceived as stand-alone initiatives with different funding amounts, standards of practice and administrative structures, even though they all had the same desired outcome to provide more children the chance to experience high quality early learning programs. In June 2012, the First Things First state board approved the recommendation to align Quality First, Quality First Scholarships and Pre-K Scholarships.

Concurrently Quality First Rating, using all three assessment tools, began July 1, 2012 and provides a consistent, rigorous measure of quality for all programs, regardless of the setting chosen by parents, and regardless of how they are funded. The Quality First Rating Scale at the 3 to 5 star level reflects the Standard of Practice for the Pre-K Scholarship strategy, and all participating Pre-K programs are assessed on the Quality First Rating Scale. Programs will maintain Pre-K status if they achieve a rating of 3 stars or higher. This system approach to aligning Quality First and Pre-K not only promotes the same level of quality among Quality First and Pre-K programs, but will also provide consistent scholarship reimbursement rates for quality regardless of the strategy or provider setting.

The FTF white paper, *“Alignment of Quality First Rating, Quality First Scholarships and Pre-Kindergarten Scholarships”* provides a more in-depth discussion of these connected strategies (Attachment A).

FY15 Updates:

As part of this alignment, the branding of Quality First and Pre-K will be connected, with FTF’s Pre-K funding formally titled as Quality First Pre-K. It is important for families to easily connect the dots by understanding the importance of quality across their child’s early learning experience—from birth to kindergarten. As FTF’s public launch of Quality First occurs in August 2013, this also simplifies the

branding and signage available to all providers in Arizona's mixed market delivery system regardless of whether infants, toddlers or preschoolers are being served.

Quality First Pre-K will become a special population funded through Quality First "additional scholarships". While the preschool age band is targeted, regional councils can further target scholarships in the same manner as they can target Quality First scholarships:

- Star level
- Zip code

Additional proposed updates to the alignment of Quality First to both Quality First and Quality First Pre-K Scholarships include:

- If a regional council wants to specifically target 3-5 year olds, the options are to either do this through Quality First or Quality First Pre-K. If it is through Quality First, this targeting happens by funding additional scholarships (above the base formula for Quality First Scholarships).
- Full Participation Quality First sites are able to be converted to Rating Only if the program is Head Start, IDEA, Title 1, tribal or military and is already rated at 3-5 stars by November 1st each year for conversion in the following fiscal year. Programs converted to Rating Only may still access:
 - T.E.A.C.H. through the pooling process, and
 - Specialized technical assistance through the Birth to Five Helpline in Child Care Health, Mental Health, and Inclusion of Children with Special Needs.
- New Rating Only programs will be rated in the first year and eligible for Quality First Pre-K scholarships in the second year. A program must already have a star rating before scholarships can be awarded. New Rating Only programs will be eligible for any unused Quality First scholarships upon their final star rating for the remainder of the fiscal year. These scholarships would not be guaranteed in future fiscal years.
- Programs that are currently Rating Only and receiving Pre-K scholarships, or are just Rating Only without scholarships, can maintain this status if their program qualifies based on having an alternate financial infrastructure to support quality (i.e. Head Start, IDEA, Title 1, tribal or military), and having a 3-5 star rating as of April 1, 2013, and maintaining a 3 – 5 star rating throughout their participation in Quality First.
- Quality First Pre-K slots are funded at the discretion of each regional council based on how many full-time slots they want to fund. The scholarship grantee distributes the scholarships based on eligible provider applications. FTF's goal is to serve children across the mixed market system, ensuring that there is overall equity across Quality First Pre-K sites, with at least half of all scholarships going to private providers.
- The selection process for Quality First Pre-K is the same as Quality First additional scholarships and runs through the Quality First Scholarship grantee. The priority process is as follows:
 - 50/50 split of funding between private community-based programs and school districts
 - Programs currently receiving Pre-K
 - Star Rating
 - Priority Zip Code (if the region provides a zip code preference, this will be considered before star rating).

- The number of Quality First Pre-K scholarships awarded to a provider is capped following the same formula logic applied for Quality First scholarships, but is calculated separately from QF scholarships based on funding made available by the council and the number of provider applicants to Quality First Pre-K scholarships. Ultimately, for any provider receiving both Quality First and Quality First Pre-K Scholarships, the total number of scholarships awarded will be counted toward the scholarship cap.
- A waiver is necessary for both Quality First and Quality First Pre-K Scholarships if a region funds over double the cap.
- Quality First Pre-K sites are also eligible for targeted scholarships (i.e., teen parents, and any unused Quality First Scholarships that are redistributed after 60 days of nonuse by a program)
- In place of the current mentoring component to the Pre-K strategy, a multi-regional Pre-K transition strategy will be developed. The strategy will provide targeted consultation with providers in the areas of pre-k transitions to kindergarten, early learning and common core standards, and alignment of standards, curriculum and child assessment. This strategy would be an added consultant much like Mental Health Consultation and Inclusion Consultation. Regions will invest in this strategy at their discretion; it is not required to be funded with Pre-K Scholarships. The unit cost of this strategy is to be determined.

Scholarship Eligibility

HOW LONG WILL FTF CONTINUE TO SUPPORT 1 AND 2 STAR PROVIDERS WITH SCHOLARSHIPS?

Current Status:

Quality First Full Participation providers at all five star levels receive scholarships on a tiered reimbursement scale. These scholarships are an additional incentive for programs to increase their star rating as well as provide access to families who might not be able to afford child care.

FY15 Updates:

Over time, FTF will provide scholarships to providers only at the 3, 4 and 5 star level of quality:

- Beginning July 1, 2013 programs on the waiting list will not be eligible for scholarships.
- Beginning July 1, 2014 only programs at the 2, 3, 4 and 5 star levels will be eligible for scholarships.
- Beginning July 1, 2015 only programs at the 3, 4 and 5 star levels will be eligible for scholarships.

In order to ensure consistency for families and no abrupt cut off dates, new Quality First enrollees in FY14 that assess at one star will not be eligible for scholarships (including providers that enroll in Quality First after April 1, 2013). Similarly, new enrollees in FY15 that assess at the one and two star levels after April 1, 2014 will not be eligible for scholarships.

When a program enrolls in Quality First, they are not able to receive scholarships until their assessment is completed. In order to most efficiently distribute scholarships in a timely manner, FTF will prioritize assessments for new Quality First enrollees to optimize their opportunity to obtain a star rating that makes them eligible to receive scholarships. Programs that are awaiting their second and beyond

assessments will receive their assessment within the timelines required by Quality First, but will receive assessments after any newly enrolled program.

In areas of the state where there are not enough Quality First providers eligible to receive scholarships to meet the demand, waivers may be used to award scholarships to 2 or 1 star providers.

In an effort to provide access for children/families at or below 200% of the poverty level to high quality programs, FTF will develop a policy to ensure that all Quality First programs demonstrate efforts to recruit and retain children whose families meet the income eligibility for First Things First Scholarships.

Scholarship Rates

HOW DOES FTF ALIGN RATES TO REFLECT THE ACTUAL COST OF QUALITY?

Current Status:

QF Scholarships are currently based on a percentage of the 2010 DES Market Rate Survey (MRS) and are tiered based on star rating. Taking all variables into account, FTF currently reimburses Quality First scholarships at 216 different rates. These variations include:

- 6 DES Districts (depending on the provider location within Arizona)
- 3 separate provider types
 - Center
 - Group Home
 - Family Home
- 3 age-bands for scholarship-eligible children
 - Infants
 - Toddlers
 - Pre-Schoolers
- 4 reimbursement tiers based on QF star level
 - 75% of DES MRS (1 & 2 star providers)
 - 85% of DES MRS (3 star providers)
 - 100% of DES MRS (4 star providers)
 - 110% of DES MRS (5 star providers)

Pre-Kindergarten Scholarships are paid uniformly at one flat rate across the state. Regardless of program location, size or star level, all preschool children receiving a PreK Scholarship are reimbursed at \$600 per month.

FY15 Updates:

Updates to the Quality First Scholarship rates are designed to accomplish two primary objectives:

1. Ensure that rates are aligned with the cost of quality
2. Simplify the rate structure

The Arizona Cost of Quality in Early Childhood Education Study was undertaken to provide critical information about the actual costs of delivering early care and education and how these costs rise with increasing levels of quality. Data from the cost survey were then analyzed with initial assessment (ERS and CLASS) results for Quality First to determine how costs relate to quality. The final product of the Study is a model, based on actual Arizona program costs and Quality First assessment results, for the cost to deliver early care and education at each Quality First star level.

Insight gained from the Cost of Quality Study informs FTF's overall planning for the Quality, Access and Affordability goal area, and specifically related to FY15 model updates, these study findings were utilized to determine the scholarship rates for providers beginning July 1, 2014. Results indicate the trend and costs as related to quality and are shown in the graphics below:



COST OF QUALITY STUDY: ANNUAL RATE FINDINGS

	1-Star	2-Star	3-Star	4-Star	5-Star
0 - 12 Months	\$8,467.58	\$8,467.58	\$11,603.89	\$14,282.49	\$18,860.88
13 - 24 Months	\$7,696.93	\$7,696.93	\$10,263.85	\$14,282.49	\$18,860.88
25 - 36 Months	\$6,641.92	\$6,641.92	\$8,328.51	\$10,709.54	\$13,796.89
37 - 48 Months	\$5,317.37	\$5,317.37	\$6,395.76	\$8,327.57	\$10,420.89
*49 - 60 Months	\$5,034.80	\$5,034.80	\$5,983.43	\$7,851.18	\$9,745.69
Weighted Avg.	\$6,142.45	\$6,142.45	\$7,711.36	\$10,087.95	\$12,915.90

**Note that the Cost of Quality Study preschool age band was only studied to 60 months. First Things First provides scholarships to children up to 72 months of age and used the 49 – 60 Month age band from this study in considering the preschool age band rate.*

FY15 Updates:

Based on the study information, the following rate structure will be used for FY15 Quality First and Quality First Pre-K Scholarships:

SUMMARY TABLE FOR FY15 PROPOSED ANNUAL RATES

		1 Star	2 Star	3-5 Stars
Centers	0-36 mo	\$ -	\$ 7,969	\$ 11,300
	37-72 mo	\$ -	\$ 6,000	\$ 7,300
Homes	0-36 mo	\$ -	\$ 5,625	\$ 7,600
	37-72 mo	\$ -	\$ 4,875	\$ 6,200

This rate structure reflects several updates:

- A shift from three to two age bands: 1) children birth to 36 months; and, 2) children 37 to 60 months. As children move from one age band to the next, the reimbursement for the provider will be adjusted to reflect the correct age band based on the child's birthdate.
- The reimbursement rate will be the same across the state. This acknowledges that the cost of quality is the same regardless of the geography of a program.
- Family and group child care home rates will be equivalent and set at an average of 67% of center rate for the 0 – 36 month age band and 85% of the center rate for the 37 – 72 month age band. First Things First based the percentage on a similar percentage difference in center and home rates from the 2012 DES Market Rate Survey.
- There will be one rate for 3, 4 and 5 star level providers. The rate will be set at approximately 90% of the cost of quality for a four star level of quality, with the intent that other provider revenues are used in conjunction with the FTF scholarship amount to cover the cost of quality.

These changes would result in scholarship reimbursements being paid at four different rates described above instead of the 216 variations currently in place.

FY15 is the last year in which 2 star providers are eligible to receive scholarships. As a transition year for these providers, both the rate and the number of scholarship slots they are eligible to receive will be adjusted. New rates for 2 star providers will still be based on the 2010 DES MRS and be calculated at 75% of those values.

Proposed rates are on par or exceed the 2012 DES MRS for over 85% of districts and age bands.

For comparison purposes, the following table represents current DES payment amounts based on the 2000 Market Rate Survey and the payment amounts if DES used the 2012 Market Rate Survey:

DES RATE COMPARISON BASED ON 2000 AND 2012 MARKET RATE SURVEY

Current DES Payment 75th percentile from 2000 DES MRS				2012 DES Market Rate Study 75th percentile from 2012 DES MRS			
Annual				Annual			
	Center	Family	Group Home		Center	Family	Group Home
Dist1				Dist1			
0 and <1	7,550.00	5,000.00	6,000.00	0 and <1	12,250.00	6,250.00	8,750.00
1 and <3	6,650.00	5,000.00	5,500.00	1 and <3	12,500.00	6,250.00	7,750.00
3 and <6	5,950.00	4,500.00	5,000.00	3 and <6	10,250.00	6,250.00	7,750.00
Dist2				Dist2			
0 and <1	6,750.00	4,750.00	5,500.00	0 and <1	12,500.00	7,000.00	6,750.00
1 and <3	6,250.00	4,500.00	5,500.00	1 and <3	11,250.00	6,250.00	6,750.00
3 and <6	5,522.50	4,500.00	5,000.00	3 and <6	9,875.00	6,250.00	6,500.00
Dist3				Dist3			
0 and <1	5,600.00	4,500.00	5,750.00	0 and <1	8,050.00	6,250.00	7,500.00
1 and <3	5,200.00	4,250.00	5,500.00	1 and <3	7,650.00	6,250.00	7,500.00
3 and <6	5,000.00	4,000.00	5,500.00	3 and <6	7,977.50	6,250.00	7,500.00
Dist4				Dist4			
0 and <1	5,250.00	4,500.00	5,000.00	0 and <1	7,000.00	5,000.00	6,250.00
1 and <3	4,750.00	4,250.00	4,500.00	1 and <3	6,950.00	5,000.00	6,250.00
3 and <6	4,500.00	4,250.00	4,500.00	3 and <6	6,250.00	5,000.00	6,250.00
Dist5				Dist5			
0 and <1	7,500.00	5,000.00	4,750.00	0 and <1	14,165.00	7,000.00	7,500.00
1 and <3	7,000.00	5,000.00	4,750.00	1 and <3	13,750.00	6,250.00	7,487.50
3 and <6	5,000.00	4,500.00	4,750.00	3 and <6	10,000.00	6,250.00	7,487.50
Dist6				Dist6			
0 and <1	8,000.00	4,500.00	5,300.00	0 and <1	8,000.00	6,080.00	7,500.00
1 and <3	5,200.00	4,250.00	5,312.50	1 and <3	7,725.00	6,022.50	6,375.00
3 and <6	4,750.00	4,000.00	4,625.00	3 and <6	7,725.00	6,022.50	6,250.00

HOW DOES FTF INCENTIVIZE QUALITY AND PROVIDE ACCESS WITH SCHOLARSHIP SUPPORT?

Current Status:

Quality First Scholarship slots are awarded across all providers based on size, program type and star rating, and every star level is eligible to receive scholarships. Pre-K slots are awarded based on application request and intention for equal distribution among public and private programs. FTF's FY13 investment of is \$54 million (\$39M for Quality First base number of scholarships; \$6M for QF "additional scholarships" added by regions; \$9M for Pre-K scholarships). Pre-K scholarship slots have no caps and can be awarded up to the amount requested by a provider. Quality First scholarship slots are capped at determined amounts.

FY15 Updates:

In order to keep the Quality First model financially consistent and to accommodate the variation in provider type, size and movement along the rating scale, **estimates** of the number of scholarships have been calculated through FY18. The higher on the rating scale, the more scholarships will be available to individual providers.

The chart on page 10 represents those **estimates** and includes a decrease in the total number of scholarships over the future fiscal years, accounting for more programs progressing into the 3 – 5 star range. As more programs achieve the quality levels, the scholarships, if maintained at the FY14 funding levels, would be divided among more programs. Assumptions are based on current data, but must be updated each year as these are five year projections.

The formula modeling that was developed assumes a base amount consistent with FY14 regional funding levels for scholarships (approximately \$40 million). The goal was to maintain fiscal stability for regions while maintaining continuity of scholarships for families to the extent possible.

ESTIMATED NUMBER OF QUALITY FIRST SCHOLARSHIP SLOTS AWARDED

FY15 – FY18

	# of slots/provider					Change from Year to Year						
Current*	1	2	3	4	5	1	2	3	4	5	Total estimated	Total estimated
FY 14	Star	Star	Star	Star	Star	Star	Star	Star	Star	Star	available QF	cost of QF
Homes	1	2	2	3	4						Scholarships	Scholarships
Small	4	5	6	8	9						across the state	across the state
Med	6	7	9	11	12							
Lg	9	10	12	15	17						6,132	\$ 38,745,899
FY 15												
Homes	0	1	2	3	4	-1	-1	0	0	0		
Small	0	4	6	8	9	-4	-1	0	0	0		
Med	0	6	9	11	12	-6	-1	0	0	0		
Lg	0	9	12	15	17	-9	-1	0	0	0	5,148	\$ 39,290,702
FY 16												
Homes	0	0	3	4	5	0	-1	1	1	1		
Small	0	0	7	9	11	0	-4	1	1	2		
Med	0	0	16	18	20	0	-6	7	7	8		
Lg	0	0	21	23	25	0	-9	9	8	8	4,284	\$ 38,519,850
FY 17												
Homes	0	0	2	3	4	0	0	-1	-1	-1		
Small	0	0	4	6	8	0	0	-3	-3	-3		
Med	0	0	13	15	17	0	0	-3	-3	-3		
Lg	0	0	18	20	22	0	0	-3	-3	-3	4,446	\$ 40,067,902
FY 18												
Homes	0	0	1	2	3	0	0	-1	-1	-1		
Small	0	0	2	4	6	0	0	-2	-2	-2		
Med	0	0	11	13	15	0	0	-2	-2	-2		
Lg	0	0	15	18	20	0	0	-3	-2	-2	4,425	\$ 40,028,686

The table above includes the following assumptions:

- Consistent number of Quality First enrolled providers year over year.
- Progression in quality rating of sites year over year is based on historical data trends. FY15 eliminates scholarships for 1 star providers and begins the “phase out” of 2 star providers by offering one less scholarship to each provider. This phase out is necessary in order to maintain a total investment for scholarships of roughly \$40M across the state while simultaneously increasing the reimbursement rate for each scholarship and the number of providers anticipated rating at the 3-5 star level by FY15.
- FY16 eliminates scholarships for 2 star providers and increases the number of scholarships awarded to all providers at the 3-5 star level. This more closely ties the number of awarded scholarship slots to the capacity of each site, while simultaneously maintaining a constant investment across the regions.

- FY17 requires a reduction of one scholarship per home site and three scholarships per center site if providers across the state progress in their quality as precisely as the model predicts.
- In FY18 the number of slots awarded to 3 star sites in FY17 is now awarded to 4 star sites, and the number previously awarded to 4 star sites are now awarded to 5 stars. This serves a dual purpose of:
 - incenting sites to increase quality year over year
 - keeping within the \$40M range (5 star providers all receive fewer scholarship slots in FY18 than in FY17 with this approach)

A program's star rating as of April 1st each year will be used to determine the number of scholarships for the coming fiscal year. A program's star rating will be based on the completed ERS and CLASS assessments. If a program has not yet completed their Quality First Points Scale process as of April 1st, the estimated star rating based on the ERS and CLASS will be used.

If a new program is assessed after April 1st, their scholarship award will be based on their actual star rating (as opposed to an estimated star rating). New programs will begin receiving scholarships once their star rating is determined.

Financial incentives for programs in Quality First full participation will be eliminated at the 3, 4 and 5 star levels. This decrease in financial incentives will be offset through increased scholarship dollars to serve low income children. Programs funded for Quality First full participation without scholarships at a star rating of 3, 4, or 5 will not have access to financial incentives.

Financial incentives to improve quality per the Quality Improvement Plan for programs in Quality First full participation will continue at the 1 and 2 star levels and will remain at the current rates.

A region can fund a provider in full Quality First participation with NO scholarships if the site has declined scholarships and shows they are using other funds and resources to serve low-income children (FTF will develop this policy, including criteria and process).

First Things First rates above will be paid no matter what the program charges for their services. The family co-pay guidelines will remain the same. If a program charges more tuition than the First Things First scholarship reimbursement rate and the parent is responsible for the difference, it is the intent that families, whenever possible, contribute toward that gap in the cost of child care. Although, this is not a requirement, First Things First recommends this contribution, and it should not exceed 10% of the gross household income.

Quality First Buy-In Option

CAN PROGRAMS BUY INTO QUALITY FIRST OR CAN PROGRAMS RECEIVE SPONSORSHIP TO QUALITY FIRST?

Current Status:

There is currently no option for providers to enroll in Quality First other than through funding allotted by regional councils.

FY15 Update:

Beginning in FY15, providers will have the option of purchasing the Quality First Rating Only package. This will include assessment and a limited amount of coaching in preparation for the assessment. The cost will be revenue neutral to FTF and its vendors and will cover the expenses related to services provided.

Although a buy-in option for Rating Only will be available for any site, FTF regional councils are able to continue to fund Rating Only slots in Head Start, IDEA (special education), Title 1, military and tribal funded programs.

Private businesses, philanthropists, tribes or other entities who are interested in sponsoring additional Quality First sites, scholarships or Quality First Pre-K scholarships can do so by making a grant to FTF and designating the purpose of the investment. These grants can be targeted to a specific site, zip code, or region.

Additional details about the specific process for making donation(s), any tax deductions that apply, the preparation FTF must do for accepting these donations, and the timeline for selections will be determined by FTF in time for a FY15 launch.

Additionally, programs that wish to have a second assessment within the 12 month assessment cycle may submit a request to the assessment grantee. Requests will not be accepted earlier than six months prior to the next assessment cycle date, and programs must pay the cost for an assessment directly to the assessment grantee. The ability to conduct an additional assessment will be determined by the capacity of the assessment grantee and communicated to the program and to First Things First.

T.E.A.C.H.

HOW CAN THE UTILIZATION OF T.E.A.C.H. SCHOLARSHIPS BE INCREASED?**Current Status**

In FY13, a pool of T.E.A.C.H. scholarships was created to enhance and facilitate uptake of scholarships within Quality First and to allow for more efficient awarding of scholarships in the instances that they are not being utilized within Quality First. The pool is created by those scholarships that are deferred by Quality First programs during the first 90 days following Quality First enrollment. All Quality First T.E.A.C.H. scholarships are funded through FTF statewide program funds.

FY15 Updates:

In order to further the accessibility to T.E.A.C.H., the pooling method of awarding scholarships will be continued, with one exception. Quality First sites will not be guaranteed a specific number of slots. Quality First sites WILL be guaranteed first priority status. This pooling is related to statewide dollars, not regional dollars. The document that outlines the T.E.A.C.H. priorities for enrollment is found in Attachment B. Current T.E.A.C.H. scholars are prioritized to ensure continuity of their college attendance.

The T.E.A.C.H. funding model will also be updated to more accurately align with current program demand and costs. For the Quality First Full Participation model, the net result will be a reduction in average number of T.E.A.C.H. scholars served per provider as well as a reduction in cost per scholar. As a result of these updates, it is estimated that the total cost to fund the T.E.A.C.H. strategy will decrease by over 50% (to align with current actual costs). As part of this adjustment, there is also a reduction in the number of scholars that are projected to be served annually. It is FTF's intent to continue to work with the T.E.A.C.H. grantee to find areas of demand currently not being served. Success in these efforts will result in future year increases to the number of scholars served per provider funded, resulting in marginal increases in costs.

Summary

As more data and information on the quality and financing of early care and education programs becomes available, FTF must use those opportunities to continually improve and incentivize access, affordability and quality, and simplify and align FTF programs and work with partners to do the same. At the same time, FTF must continue the drive to innovate and create a national program and system model. Families benefit, and we get closer to the ultimate vision of children happy, healthy and ready to succeed in school.

First Things First Strategy Brief

Alignment of Quality First Rating, Quality First Scholarships and Pre-Kindergarten Scholarships

FTF invests more than \$154 million annually in early childhood development and health programs, with \$75 million of those funds committed to improve the access to and quality of early learning programs in a wide variety of settings. While there are a variety of different strategies deployed at the regional level, the three primary strategies are Quality First, Quality First Scholarships and Pre-Kindergarten Scholarships. Originally, each of these programs were conceived as stand-alone initiatives with different funding amounts, standards of practice and administrative structures, even though they all had the same desired outcome--to provide more children the chance to experience high quality early learning programs. In June 2012, the First Things First state board approved the recommendation to align Quality First, Quality First Scholarships and Pre-K Scholarships. FY13 marked the first year of alignment between the three strategies. The purpose of this informational sheet is to provide an analysis of the participation in early learning programs for 3 and 4 yr. old children, including those funded by First Things First, and identify opportunities for further alignment of quality standards and leveraging of program resources so more children have access to early learning programs.

Access to Early Learning:

The number of young children living with in households where all the parents are in the workforce, as well as the number of Arizona children 0-5 living in poverty shows a significant percentage of children who would benefit from early learning programming during the day, as well as a significant percentage of families that would likely need financial assistance to afford a quality early learning program.

General Demographics	
Children age 0-5	546,609
Children age 3-5 (preschool age, not enrolled in kindergarten)	191,643
Percent of children 0-5 living in poverty**	30%
Percent of children 3-5 living in poverty**	24%
Percent of children 0-5 with both parents in workforce	31%
Percent of children 0-5 with single parent in workforce	26%

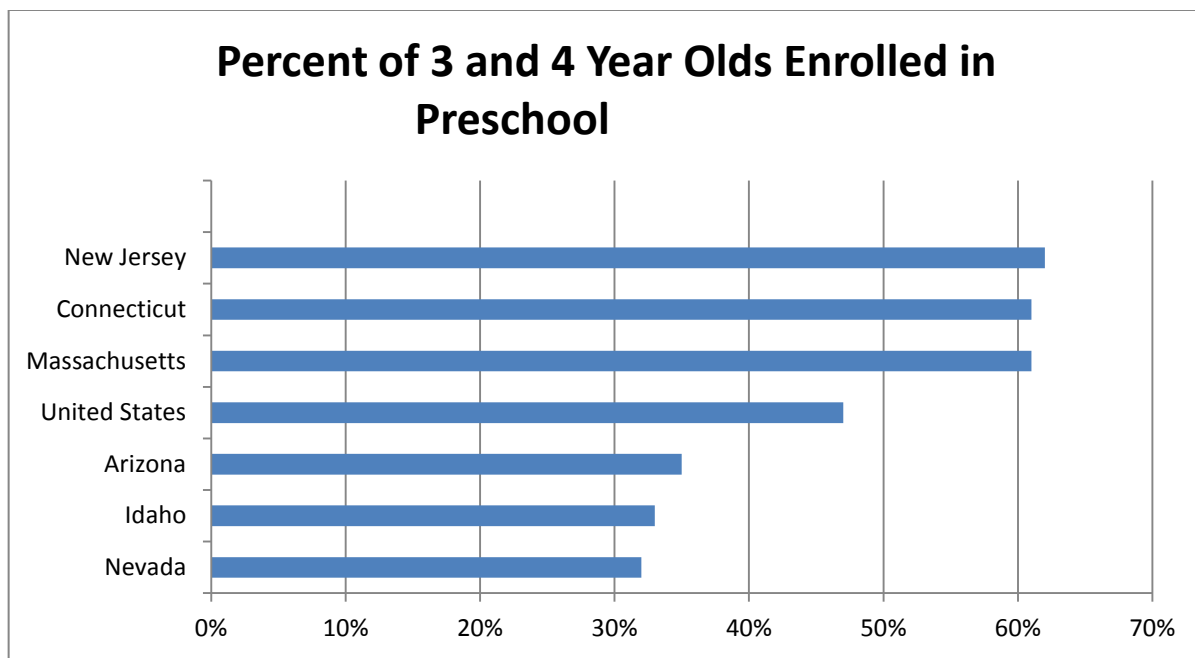
**poverty is defined at or below an annual income of \$21,756 for a family of 4

However, as evidenced by the table below, only 20 percent of children with working parents are currently served by existing early learning programs in Arizona, and only 22 percent of low-income children have access to these programs.

Children Enrolled in Early Learning Programs			
Program	Total Enrolled (Estimated)	As % of Children in Homes where All Adults Work	As % of Children at/below 200% FPL
FTF Pre-K Scholarships (3-5 years)	3,166	1%	1%
Quality First Scholarships (0-5 years)	5,806	2%	2%
Head Start (3-4 years)	22,892	7%	8%
Special Education Pre-K (3-5 years)	15,235	5%	5%
DES Child Care Subsidy (0-5 years)*	16,257	5%	6%
TOTAL	63,356	20%	22%
Estimated # of Children 0-5 in Homes where Adults Work	311,567		
Estimated # of Children 0-5 at/below 200% FPL	283,139		

*Approximately 3,966 children 0-5 are on the waiting list, unable to access services. This is contrasted with data from 2009 when at the highest mark, approximately 28,987 children 0-5 were served, and there was no waiting list.

According to data in the 2011 American Community Survey, only two states have a lower percentage of 3 and 4 year old children enrolled in preschool than Arizona (35 percent). New Jersey has the highest at 62 percent.



Source: ACS 2011

FTF Pre-K Scholarship Strategy

FTF's Pre-K Scholarship strategy was developed by Regional Councils to expand access to high-quality preschool programs for 3 and 4 yr. old children from low-income families at or below 200% of the federal poverty level. While the initial participants included two public school districts, and impacted less than 100 children, interest rapidly grew to serve 2,381 children by FY 2013. The Pre-K Scholarship strategy was initially contrasted from Quality First with high quality requirements for teacher qualifications, group size and ratio of children to teachers, and curriculum and assessment practices identified in the Standard of Practice. Programs receiving Pre-K Scholarships must already be providing a high-quality program. However, until FY13 there was no assessment required. Beginning in FY13, all pre-K sites must be assessed on the same quality scale as Quality First sites. With the availability of QF ratings, all preschool programs must demonstrate quality and adherence to the Standard of Practice by achieving a QF rating of 3 stars or higher.

Because of the high-quality standards programs are required to maintain for Pre-K Scholarships, the scholarship payment amount is higher than for programs that have not achieved the same quality level. Compared to other states that offer a similar program, First Things First's Pre-K Scholarship rates are among the highest in the nation at \$6,000 per child for a full-time 10-month program and \$3,000 per child for a part-time 10-month program. The national average cost per child is \$4,151, and only seven states pay more per child than Arizona with a range of \$6,780 in Washington to \$11,669 in New Jersey.

The Pre-K Scholarship strategy is administered by two grantees with distinct roles in providing services. Valley of the Sun United Way is responsible for administering scholarship payments to participating early learning programs. The Arizona Department of Education is responsible for the application and selection process and for facilitating the connection between public school programs and community-

based pre-K programs to promote the leveraging of resources and to ensure smooth transitions as children enter kindergarten.

FTF Quality First Strategy:

Quality First provides one of the most comprehensive and highly incentivized quality improvement and rating systems in the country, focusing on elements and impacts on a child's development and readiness for school such as social and emotional development, language scaffolding, concept development and quality classroom environments and practices. Direct supports for early learning programs include individualized asset-based coaching, child care health consultation, T.E.A.C.H. educator scholarships and financial incentives and rewards. Quality First also pays a portion of a participating program's licensing fees directly to the Department of Health Services. Participating programs also have access to additional consultation in the areas of infant/toddler mental health and the inclusion of children with developmental delays or disabilities.

The rigorous Quality First assessment and rating system incorporates valid and reliable assessment tools for monitoring quality standards, highly-trained assessors who meet or exceed industry reliability standards, and a monitoring schedule for annual or biennial monitoring and assessment depending on the quality rating of a program. The Environment Rating Scales (ERS) and the Classroom Assessment Scoring System (CLASS) are used together to measure the quality of the environment and the interactions between adults and children. The Quality First Points Scale uses portfolio documentation to assess three additional evidenced-based quality areas that are not addressed in the ERS or CLASS. These include staff qualifications, administrative practices, and curriculum and child assessment.

The scores of each assessment tool are calculated collectively to assign a star rating based on the Quality First Rating. The Quality First Rating Scale includes a 5-star scale based on tiered Program Standards, with 1 star demonstrating a commitment to examine practices and improve beyond the level of state licensing requirements, and 5 stars demonstrating a level of quality that supports significant educational and developmental outcomes for young children.

Quality First also offers a Rating Only participation option that provides the full assessment and rating components with short-term, less intensive coaching for those programs that are likely to or have already achieved at least a 3 star Quality Rating. Currently, the Rating Only option is available to programs funded through Head Start, Title 1, IDEA, FTF Pre-K Scholarships, and for some tribal programs that are supported through tribal funding.

Quality First Scholarships are available to most all providers serving low-income families who are working, looking for work or improving their work skills through training or education and/or wish their children to benefit from a quality learning environment. The number of scholarships and reimbursement amount varies depending on the Quality First rating for each program. Scholarships help maintain the supply of quality programs, and provide continuity of care for families who might otherwise be unable to pay for quality care.

FY14 Quality First Program and Scholarship Sample Costs		
	Regional Cost	Total Cost Including State Funded Components
1 Star LARGE Center <i>Most Expensive Program</i>	\$22,858	\$33,258
5 Star SMALL Center <i>Least Expensive Program</i>	\$11,509	\$18,135
3 Star Home	\$9,409	\$14,390
Rating Only Center	\$8,532	N/A
Rating Only Home	\$8,532	N/A
Average Per Child Scholarship Cost	\$6,365	N/A

Alignment of Quality First and Pre-K Scholarship Strategies

First Things First developed and funds Quality First to improve and measure quality early development and learning programs for all children. Quality First Rating began July 1, 2012, and provides a consistent, rigorous measure of quality for all programs, regardless of the setting chosen by parents, and regardless of how they are funded. The Quality First Rating Scale at the 3 to 5 star level reflects the Standard of Practice for the Pre-K Scholarship strategy, and now all participating Pre-K programs will be assessed the Quality First Rating Scale. All programs will be able to maintain Pre-K status if they achieve a rating of 3 stars or higher.

This system approach to aligning Quality First and Pre-K not only promotes the same level of quality among Quality First and Pre-K programs, but will also provide consistent scholarship reimbursement rates for quality regardless of the strategy or provider setting.

Currently, scholarship reimbursement is different for Quality First programs compared to Pre-K programs (see chart below). However, beginning in FY15, all Quality First programs and Pre-K programs will be reimbursed at the same rate depending on star level.

FY13 ANNUAL SCHOLARSHIP RATES FOR PRESCHOOL AGED CHILDREN (12 Month Program)				
Quality First Rates				Pre-K Rates*
	3 Star	4 Star	5 Star	3, 4 & 5 Star
Dist1	6,800.00	8,000.00	8,800.00	7,200.00
Dist2	6,162.50	7,250.00	7,975.00	
Dist3	5,100.00	6,000.00	6,600.00	
Dist4	4,675.00	5,500.00	6,050.00	
Dist5	5,843.75	6,875.00	7,562.50	
Dist6	5,089.38	5,987.50	6,586.25	

*Rates for Pre-Kindergarten Scholarships are \$600.00/month for full time and \$300.00/month for part time for programs rated at 3, 4 or 5 stars.

Opportunities for Growth - Financing Early Learning Programs

Currently, many early learning programs operate separately from each other due to different eligibility requirements, funding mechanisms, agency administrative practices and program emphases. However, Arizona has an opportunity to create a more integrated and responsive early education system by blending and braiding funding streams and pooling resources to impact more children at the beginning of the education continuum. Blending and braiding funding is already occurring across the state. Some specific examples include:

- The Peoria Elementary School District uses First Things First Pre-K Scholarship funds, IDEA Preschool Special Education funds and DES Child Care Subsidy to provide inclusion preschool classrooms at several elementary schools across the district.
- The Tucson Unified School District blends federal Title 1 funds and First Things First Pre-K Scholarships to provide more access to preschool programs for low-income children throughout the district.
- The Gila River Indian Community supplies matching funds to blend with First Things First Pre-K funding and federal 638 funds to provide comprehensive preschool programming and services such as oral health exams and hearing and vision screening for 4 year olds. The goal is that three years from now, 80 percent of 4 year olds will be served.

Program funds from Title 1, IDEA Special Education Preschool, Head Start, and Child Care Subsidy can be used with Pre-K and Quality First Scholarships, along with affordable parent fees to develop and expand coordinated early learning programs to impact more children and reduce the gap between children enrolled in programs, and children from families that do not have equal access and opportunity for quality early learning experiences.

Conclusion

Families in Arizona access early learning and preschool in a variety of settings. FTF's role is to assist in enhancing the quality of settings and expanding the choices parents have for their young children. Further, our role is to continue to promote a seamless market place—one that parents can navigate with information and ease. While FTF continue to bring significant resources to this marketplace, FTF alone cannot sustain the whole system. It will take creative partnerships, the blending and braiding of funding and the leveraging of additional resources to continue to expand high quality learning opportunities to young children across Arizona.

T.E.A.C.H. PRIORITY:

**Ongoing outreach and recruitment of
T.E.A.C.H. scholarship applicants in
Quality First enrolled programs**

*Only after step one is complete, remaining scholarships may go into a pool and are awarded based on the following priorities. Outreach and recruitment efforts must be documented to justify the awarded scholarships at each level.

